



DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 21-17]

Arms Sales Notification

AGENCY: Defense Security Cooperation Agency, Department of Defense (DoD).

ACTION: Arms sales notice.

SUMMARY: The DoD is publishing the unclassified text of an arms sales notification.

FOR FURTHER INFORMATION CONTACT: Neil Hedlund at neil.g.hedlund.civ@mail.mil or (703) 697-9214.

SUPPLEMENTARY INFORMATION: This 36(b)(1) arms sales notification is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996. The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 21-17 with attached Policy Justification and Sensitivity of Technology.

Dated: October 13, 2021.

Aaron T. Siegel,

Alternate OSD Federal Register Liaison Officer,

Department of Defense.



DEFENSE SECURITY COOPERATION AGENCY
201 12TH STREET SOUTH, SUITE 101
ARLINGTON, VA 22202-5408

May 10, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Madam Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 21-17 concerning the Navy's proposed Letter(s) of Offer and Acceptance to the Government of Canada for defense articles and services estimated to cost \$1.7 billion. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

A handwritten signature in black ink, reading "Heidi H. Grant", is positioned above the printed name and title.

Heidi H. Grant
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

(i) Prospective Purchaser: Government of Canada

(ii) Total Estimated Value:

Major Defense Equipment*	\$.7 billion
Other	<u>\$1.0 billion</u>
TOTAL	\$1.7 billion

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

Four (4) Shipsets of the AEGIS Combat System (ACS)
One (1) AEGIS Combat System Computer Program
Four (4) Shipsets of AN/SPY-7 Solid State Radar Components
Four (4) Shipsets of Cooperative Engagement Capability (CEC)
Three (3) Shipsets of the MK 41 Vertical Launch System

Non-MDE:

Also included is Mode 5/S capable Identification Friend or Foe (IFF) equipment; early ACS development activities for the Canadian Surface Combatant (CSC) Project to include U.S. Government and contractor representative engineering activities supporting design, integration, testing, technical documentation, modeling, and training; hardware to support development and testing in U.S. facilities; software; documentation (including combat system capabilities and limitations); training devices and services; technical support; and other related elements of logistical and program support.

(iv) Military Department: Navy (CN-P-FFFA1, CN-P-LLG)

(v) Prior Related Cases, if any: CN-P-FDP, CN-P-FFA, CN-P-FFF

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Attached Annex

(viii) Date Report Delivered to Congress: **May 10, 2021**

*As defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

Canada – AEGIS Combat System

The Government of Canada has requested to buy four (4) Shipsets of the AEGIS Combat System (ACS); one (1) AEGIS Combat System Computer Program; four (4) Shipsets of AN/SPY-7 Solid State Radar Components; four (4) Shipsets of Cooperative Engagement Capability (CEC); and three (3) Shipsets of the MK 41 Vertical Launch System. Also included is Mode 5/S capable Identification Friend or Foe (IFF) equipment; early ACS development activities for the Canadian Surface Combatant (CSC) Project to include U.S. Government and contractor representative engineering activities supporting design, integration, testing, technical documentation, modeling, and training; hardware to support development and testing in U.S. facilities; software; documentation (including combat system capabilities and limitations); training devices and services; technical support; and other related elements of logistical and program support. The estimated total cost is \$1.7 billion.

This proposed sale will support the foreign policy and national security objectives of the United States by helping to improve the military capability of Canada, a NATO ally that is an important force for ensuring political stability and economic progress, and a contributor to military, peacekeeping and humanitarian operations around the world.

This proposed sale will increase Canadian maritime forces' interoperability with the United States and other allied forces, as well as their ability to contribute to missions of mutual interest by delivering the first AEGIS-capable Canadian Surface Combatant ships. This will significantly improve network-centric warfare capability for the U.S. forces operating globally alongside Canada. Canada will have no difficulty absorbing this equipment into its armed forces.

The proposed sale of this equipment and support will not alter the basic military balance in the region.

The prime contractor will be Lockheed Martin Rotary and Mission Systems, Moorestown, NJ. There are a significant number of other companies under contract with the U.S. Navy that will provide components, systems, and engineering services during the execution of this effort. While the purchaser typically requests offsets, any offset agreement will be defined in future negotiations between the purchaser and the contractor(s).

Implementation of this proposed sale will require multiple trips by U.S. Government representatives and the assignment of contractor representatives to Canada on an intermittent basis over the life of the case to support delivery and integration of items and to provide supply support management, inventory control and equipment familiarization.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act

Annex
Item No. vii

(vii) Sensitivity of Technology:

1. This sale involves the procurement of long lead material and services to support the Canadian Surface Combatant Program. The AEGIS Combat System (ACS) to be procured to support Canadian Surface Combatant construction is derived from U.S. Navy AEGIS Baseline 9 capability. Key components of the ACS include:

a. The ACS is a multi-mission combat system providing integrated Air and Missile Defense for surface ships. AEGIS Baseline 9 capability will provide computing, display and processing hardware and software to be integrated with Canada-furnished elements, including radar and illuminator sensors and Canada's domestic Combat Management System (CMS 330). No integrated Ballistic Missile Defense will be provided.

b. The AEGIS Combat System Computer Program supports operation of the ACS Baseline 9 capability.

c. The AN/SPY-7 Solid State Radar Components will be integrated with Lockheed Martin's Solid State Radar (SSR), which is being procured by Canada via Direct Commercial Sale contract.

d. The Cooperative Engagement Capability (CEC) system fuses tracking data from shipboard and off-ship sensors and distributes radar measurement data to other platforms with CEC capability. The system includes a Communications Security (COMSEC) card.

e. The Mk 41 Vertical Launch System (VLS) is a fixed, vertical, multi-missile launching system with the capability to store and launch multiple missile variants depending on the warfighting mission, including the Evolved Sea Sparrow Missile (ESSM), Standard Missile, and Tomahawk Cruise Missiles.

2. The highest level of classification of defense articles, components, and services included in this potential sale is SECRET.

3. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures that might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

4. A determination has been made that Canada can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

5. All defense articles and services listed in this transmittal are authorized for release and export to the Government of Canada.

[FR Doc. 2021-22669 Filed: 10/15/2021 8:45 am; Publication Date: 10/18/2021]